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GROSSMONT UNION HIGH SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2008

GROSSMONT UNION HIGH SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Governing Board
Grossmont Union High School District
El Cajon, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grossmont Union High School District (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grossmont Union High School District, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 45 for the year ended June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 15 and budgetary comparison information and other postemployment benefits on pages 62 and 63, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

Vasinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2008



High School District
COMMITTED TO EXCELLENCE
S I N C E 1 9 2 0

• GOVERNING BOARD MEMBERS

RICHARD HOY
JIM KELLY
PRISCILLA SCHREIBER
ROBERT SHIELD
LARRY URDAHL

• SUPERINTENDENT

ROBERT J. COLLINS

This section of Grossmont Union High School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Grossmont Union High School District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, business-type, and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Business-Type Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Activities* are agency funds, which only report a balance sheet and do not have a measurement focus.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Grossmont Union High School District.

GROSSMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether *its financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities*, we separate the District activities as follows:

Governmental Activities - Most of the District's services are reported in this category. This includes the education of grade nine through twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Local property taxes, State sales and income taxes, user fees, interest income, Federal, State and local grants finance these activities.

Business-Type Activities - The District charges fees to help it cover the costs of certain services it provides. The District's food services program is included here.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

GROSSMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds, which are comprised of enterprise funds and internal service funds, are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Revenues, Expenses and Changes in Fund Net Assets*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities and scholarships. The District's fiduciary activities are reported in separate *Statements of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

- Total District net assets at June 30, 2008, were \$257.2 million, a decrease of \$.2 million from the prior year.
- General Fund ending balance was \$22,627,455, a decrease of \$1,911,601.
- Cost of Living Adjustment (COLA) for the revenue limit and all categorical programs was 4.53 percent.
- Student enrollment decreased by 280 students.
- Financial results reflect labor agreement settlements with all employee bargaining groups for the fiscal year at total increased costs of approximately \$4.8 million.
- District received \$1.3 million for Quality Education Investment Act (QEIA) for El Cajon Valley High School.
- District received \$862,229 for California High School Exit Exam (CAHSEE).
- District received \$375,089 in on-going monies for the Arts and Music Block Grant.

GROSSMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

- District received \$1,572,534 in Supplemental Counseling funding. These are on-going monies to supplement guidance staff.
- District received \$448,862 for Project Shield, a Federally funded grant to assist schools with the development and implementation of expanded family resource center services.
- District received \$1,259,723 in Developer Fees and \$1,105,748 in Redevelopment monies.

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$257.2 million for the fiscal year ended June 30, 2008. Of this amount, \$13.1 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total District Activities	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$ 151.0	\$ 198.7	\$ 0.2	\$ 0.2	\$ 151.2	\$ 198.9
Capital assets	319.0	264.4	0.4	0.4	319.4	264.8
Total Assets	470.0	463.1	0.6	0.6	470.6	463.7
Liabilities						
Current liabilities	23.0	15.9	0.1	0.1	23.1	16.0
Long-term obligations	190.3	190.3	-	-	190.3	190.3
Total Liabilities	213.3	206.2	0.1	0.1	213.4	206.3
Net Assets						
Invested in capital assets, net of related debt	192.1	163.4	0.4	0.4	192.5	163.8
Restricted	51.6	76.3	-	-	51.6	76.3
Unrestricted	13.0	17.2	0.1	0.1	13.1	17.3
Total Net Assets	\$ 256.7	\$ 256.9	\$ 0.5	\$ 0.5	\$ 257.2	\$ 257.4

The \$13.1 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. There were changes in current liabilities as well as current and capital assets.

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 17. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

GROSSMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

Table 2

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total District Activities	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	\$ 6.1	\$ 9.4	\$ 3.8	\$ 4.9	\$ 9.9	\$ 14.3
Operating grants and contributions	52.9	59.8	1.9	1.4	54.8	61.2
Capital grants and contributions	1.3	18.8	-	0.2	1.3	19.0
General revenues:						
Federal and State aid not restricted	84.3	94.9	-	-	84.3	94.9
Property taxes	74.4	83.4	-	-	74.4	83.4
Other general revenues	8.2	10.2	-	-	8.2	10.2
Total Revenues	227.2	276.5	5.7	6.5	232.9	283.0
Expenses						
Instruction-related	166.9	165.4	-	-	166.9	165.4
Student support services	17.2	16.4	-	-	17.2	16.4
Administration	5.5	9.1	-	-	5.5	9.1
Maintenance and operations	26.8	25.3	-	-	26.8	25.3
Other	10.5	15.9	6.3	6.5	16.8	22.4
Total Expenses	226.9	232.1	6.3	6.5	233.2	238.6
Excess (Deficiency)	0.3	44.4	(0.6)	-	(0.3)	44.4
Transfers	(0.5)	-	0.5	-	-	-
Change in Net Assets	\$ (0.2)	\$ 44.4	\$ (0.1)	\$ -	\$ (0.3)	\$ 44.4

Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities this year was \$226.9 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$74.4 million because the cost was paid by those who benefited from the programs (\$6.1 million), by other governments and organizations who subsidized certain programs with operating grants and contributions (\$52.9 million), and \$1.3 million in capital grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with \$84.3 million in Federal and State aid not restricted to specific purposes and with other revenues, like interest and general entitlements (\$8.2 million).

The District's expenses are predominantly related to educating students (84 percent). The purely administrative activities of the District accounted for 2.4 percent of total costs. Total expenditures surpassed revenues, decreasing net assets \$.2 million over last year.

GROSSMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

In Table 3, we have presented the cost and net cost of each of the District's eight largest functions- regular program instruction, supervision and instruction, school administration, pupil transportation, other pupil services, administration, and maintenance and operations, and other. As discussed below, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Amounts in millions)	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction	\$ 137.1	\$ 135.3	\$ 101.5	\$ 67.7
Supervision and other instruction-related	10.7	11.3	5.7	5.7
School administration	19.1	18.8	14.6	14.3
Pupil transportation	5.4	5.0	3.2	2.8
Other pupil services	11.8	11.4	3.1	8.7
Administration	5.5	9.1	4.5	7.7
Maintenance and operations	26.8	25.3	24.5	22.2
Other	10.5	15.9	9.4	15.0
Total	\$ 226.9	\$ 232.1	\$ 166.5	\$ 144.1

Increases in expenditures relate to QEIA, Project Shield and increases in Special Education and home to school transportation.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$126.3 million, which is an overall decrease of \$57.1 million from last year (Table 4).

The funds and the primary reasons for the overall decrease are:

- The fund balance in the General Fund decreased \$1.9 million overall. However, the unrestricted fund balance decreased by \$2.6 million, of which transfers to Special Reserve, Cafeteria and Deferred Maintenance Funds accounted for \$5.5 million.
- The Adult Education Fund decreased by \$1 million. This decrease is due to major building and site improvements.
- The Deferred Maintenance Fund has decreased due to projects being completed in the 2007-08 fiscal year. These were planned expenditures in coordination with Proposition H projects.
- The Special Reserve Non-Capital has increased by \$900 thousand. This is due to the final transfer of mandated cost reimbursement monies from the General Fund.
- Monies in the Special Reserve Postemployment Benefits Fund were transferred to Fund 67 for GASB 45.
- The Building Fund (Bond) decreased by \$39.4 million for the expenditure of bond approved projects.
- The County School Facilities Fund decreased by \$10.4 million due to State approved project expenditures.

GROSSMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

- h. The Special Reserve-Capital Outlay Fund has decreased by \$1.6 million. Projects for an athletic facilities replacement/safety fund, field projects and other facility projects have been funded from these monies.
- i. The Bond Interest and Redemption Fund was established for the recording of tax receipts and payments for Proposition H and is calculated by the County of San Diego on our behalf.
- j. The County School Facilities Fund increased by \$14.4 million due to the receipt of matching dollars for Monte Vista and Santana High Schools.
- k. The Special Reserve-Capital Outlay Fund has increased by \$1.9 million. Funds have been set aside for an athletic facilities replacement/safety fund, field projects and other facility projects.
- l. The Bond Interest and Redemption Fund was established for the recording of tax receipts and payments for Proposition H and is calculated by the County of San Diego on our behalf.

Table 4

(Amounts in millions)	Balances and Activity			
	July 1, 2007	Revenues	Expenditures	June 30, 2008
General	\$ 24.5	\$ 193.6	\$ 195.5	\$ 22.6
Adult Education	7.9	15.0	16.0	6.9
Child Development	0.2	0.2	0.2	0.2
Deferred Maintenance	2.3	2.2	3.2	1.3
Special Reserve Non-Capital	11.2	1.4	0.5	12.1
Special Reserve Postemployment Benefits	1.3	-	1.3	-
Building	84.4	3.4	42.8	45.0
Capital Facilities	7.2	1.6	1.6	7.2
County School Facilities	27.0	1.3	11.7	16.6
Special Reserve - Capital Outlay	8.3	4.3	5.9	6.7
Bond Interest and Redemption	9.1	9.1	10.5	7.7
Total	\$ 183.4	\$ 232.1	\$ 289.2	\$ 126.3

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on May 8, 2008. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 62).

- Budgeted Federal revenues and expenditures increased by \$.7 million due to increases in NCLB and Project Shield.
- Budgeted State revenues increased by \$.9 million. The majority of this increase is class size reduction and Instructional Materials Realignment Fund monies, which are offset by corresponding expenditures.

GROSSMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

General Fund Budgetary Highlights

- General Fund revenues were \$4.5 million more than projected at budget adoption and expenditures were \$9.7 million more than originally projected, with transfers out of the General Fund to the Special Reserve, Self Insurance and Cafeteria funds, as well as charter schools accounting for \$4.2 million of this. These amounts do not include \$4 million in "on behalf" payments included on page 62. "On behalf" payments are contributions to CalSTRS and CalPERS made by the State on behalf of the District. Changes from the adopted budget are related to categorical program revisions and additions, mandated cost revenues and corresponding transfers out, as well as negotiated salary settlements.
- Salaries and fringe benefit expenditures were \$6.1 million more than projected in the adopted budget, of which \$4.2 million was in categorical programs. The \$6.1 million includes all negotiated salary settlements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had a broad range of capital assets, including land, buildings, and furniture and equipment valued at \$319.4 million. This amount represents a net increase (including additions, deductions and depreciation) of \$54.5 million, or 20.6 percent, from last year. This is directly attributable to bond construction projects in progress.

Table 5

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 34.8	\$ 34.8	\$ -	\$ -	\$ 34.8	\$ 34.8
Land improvements	67.3	56.7	-	-	67.3	56.7
Construction in progress	57.1	13.7	-	-	57.1	13.7
Buildings and improvements	153.8	153.5	-	-	153.8	153.5
Equipment	6.0	5.7	0.4	0.4	6.4	6.1
Total	\$ 319.0	\$ 264.4	\$ 0.4	\$ 0.4	\$ 319.4	\$ 264.8

This year's equipment addition of \$1.7 million includes teacher and classroom equipment such as computers. No debt was issued for these additions.

The District continues the process of implementing the program of facility modernization projects being funded from the Building (Bond) Fund. We present more detailed information about our capital assets in Note 4 to the financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Long-Term Obligations

At the end of this year, the District had \$190.3 million in long-term obligations, which represents an increase over the prior year of \$.1 million. A \$2.1 million decrease is attributable to the general obligations bond as shown in Table 6.

There is a slight increase in the liability for compensated absences, which the District is currently addressing. The large increase is the inclusion of the liability for postemployment benefits (GASB 45) in the amount of \$3.3 million. *in other*

Capital lease obligations total \$2.8 million, of which \$1.6 million is for the East County Regional Education Center, and is being repaid from rental income and general operating dollars. The remaining balance of the capital leases represents copiers, relocatables, buses and hardware and is funded from current operating budgets.

Table 6

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 180.6	\$ 182.7	\$ -	\$ -	\$ 180.6	\$ 182.7
Capitalized lease obligations	2.8	3.5	-	-	2.8	3.5
Compensated absences	3.1	3.0	-	-	3.1	3.0
Other	3.8	1.0	-	-	3.8	1.0
Total	<u>\$ 190.3</u>	<u>\$ 190.2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190.3</u>	<u>\$ 190.2</u>

Other obligations include a supplementary early retirement plan. We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2007-2008 ARE NOTED BELOW:

- The District has one of the lowest dropout rates in California at 3.1 percent, far below that of the State and county levels at 6.4 percent and 6.2 percent, respectively.
- Overall college going rate for graduates is 67.9 percent with all District schools above the State average.
- Achieved CAHSEE (California High School Exit Exam) pass rates for first time test takers of 81 percent in English and 79 percent in Mathematics.
- Achieved 43 percent English and 22 percent Mathematics Advanced/Proficient ratings for California Standards tests.
- Over 3,000 students and parents attended the District-wide college and career fair, Got Plans.
- A committee of visual and performing arts teachers met to develop a Visual and Performing Arts (VAPA) strategic plan to be implemented over the next five years.
- Over 110 counselors and administrators from east county school districts attended a two day training that was focused on the national standards for school guidance and counseling, and addressed topics that included understanding the changing role of the professional school counselor.
- The District was recognized by the California Department of Education for being one of only six districts in the State to have a model dropout prevention/School Attendance Review Board.
- The District and community career technical education (CTE) advisory board was established to begin work on a long range strategic plan for the District.
- \$400 thousand in grant funds were spent on equipment for the CTE programs.
- Professional development by CTE teachers has resulted in alignment of all CTE classes with the State academic and CTE standards.
- The District was awarded a competitive State grant for \$1 million to modernize the Regional Occupational Program (ROP) Welding facility at El Cajon Valley High School.
- All ROP teachers completed EL training.
- Curriculum changes to begin in 2008-2009 were developed for the special needs students at Viking Center for functional academics and transition curriculum.
- All special education departments developed SMART goals for their departments.
- All teachers had complete access to the comprehensive assessment management system developed by EduSoft.
- 706 staff members from around the District participated in technology training and development classes.
- "Read Naturally" program was implemented at Grossmont, Mount Miguel, Homestead, Chaparral and West Hills. This program helps students who struggle with literacy to obtain fluency.
- Adult Education received a six year WASC accreditation.
- An employee Wellness Committee was implemented.
- Participated in San Diego County Diversity Recruitment Fair.
- Implemented Ed-Join, an on-line applicant tracking and management system.
- Web-based Special Education IEP application was created and released for tracking issues related to special education students.
- Completed modernization of 108 classrooms on seven campuses and performed the planning and design for 72 new science classrooms on eight campuses under Proposition H.
- Staff completed the installation, configuration and training at all sites of security cameras.
- Alert Now has been implemented, which can reach 22,000 parents within 15 minutes by telephone.
- All schools are now part of the District's IP telephone and intercom technology.
- Advertised and awarded 86 construction contracts for modernization of school facilities.
- Fully implemented the Wellness policy in the Food Services department.

GROSSMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

- Instituted and executed a Safety Fair for annual compliance and movement towards wellness.
- Expanded and revised the Work Comp Transitional Return to Work Program.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2008-2009 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. ADA projection is based on 18,660.
2. Revenue limit income will increase by 5.66 percent Cost of Living Adjustment (COLA) with a deficit factor of 4.713 percent, resulting in a net COLA of .68 percent.
3. The on-going funding for the Arts and Music Block Grant is included at \$375,089.
4. Categorical programs have a zero percent COLA.
5. Class Size Reduction for 9th grade is included at a rate of \$213 per student per subject.
6. Economic Impact Aid is included in the amount of \$2,069,321.
7. Instructional Material Realignment Funds are included in the amount of \$69 per 2007 CBEDS data, which amounts to \$1,481,854.
8. Lottery revenues are projected to be \$118 per ADA, with an additional \$19 per ADA for Proposition 20.
9. NCLB Title I monies are estimated to be \$2.7 million.
10. ROP current estimate is \$8.3 million.
11. Special Education is estimated to be \$10.5 million with a zero percent COLA.
12. Staff Development buy-out is included in the amount of \$1.1 million.
13. Supplemental hourly programs are based on an hourly rate of \$4.08 with a deficit in the CORE program of 12 percent.
14. Quality Education Investment Act (QEIA) has been included in the amount of \$2,086,000 as second year funding for El Cajon Valley High School.

GROSSMONT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

Expenditures are based on the following forecasts:

1. Step and Column movement costs have been included for all employees.
2. Health and Welfare increases have been included for all employees at eight percent.
3. Continues partial funding for Other Postemployment Benefits (GASB 45).
4. Continues to fund an additional .5 FTE at each comprehensive high school for student intervention support.
5. Budget includes \$45,000 for District professional development activities.
6. Monies to fund Saturday School are included.
7. Utility budgets have been included at an increase of six percent.
8. Does not include a 2008-2009 salary increase.
9. Final payment for the Retiree Incentive program is included.
10. Includes \$2,000 for Wellness Initiatives program.
11. Provides funding for attendance incentive program.
12. Includes two teacher FTEs for the Learning Center.
13. Continues .20 Athletic Director release time.
14. Includes allocation for Band Uniforms.
15. Includes budget for Character Counts program initiation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Business Services Division of Grossmont Union High School District in El Cajon, California at (619) 644-8010.

GROSSMONT UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET ASSETS FOR THE YEAR ENDED JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 126,339,807	\$ 88,370	\$ 126,428,177
Receivables	22,218,759	624,017	22,842,776
Internal balances	638,003	(638,003)	-
Prepaid expenses	1,394,170	2,485	1,396,655
Stores inventories	223,123	129,716	352,839
Other current assets	220,467	-	220,467
Capital assets			
Land and construction in process	91,887,538	-	91,887,538
Other capital assets	326,607,351	769,462	327,376,813
Less: accumulated depreciation	(99,535,068)	(390,108)	(99,925,176)
Total Capital Assets	318,959,821	379,354	319,339,175
Total Assets	469,994,150	585,939	470,580,089
LIABILITIES			
Accounts payable	19,852,038	67,572	19,919,610
Accrued interest payable	2,277,219	-	2,277,219
Deferred revenue	391,389	-	391,389
Claims liabilities	479,453	-	479,453
Long-term obligations			
Current portion of long-term obligations	5,052,515	-	5,052,515
Noncurrent portion of long-term obligations	185,209,651	-	185,209,651
Total Long-term Obligations	190,262,166	-	190,262,166
Total Liabilities	213,262,265	67,572	213,329,837
NET ASSETS			
Invested in capital assets, net of related debt	192,122,355	379,354	192,501,709
Restricted for:			
Debt service	5,472,439	-	5,472,439
Capital projects	18,928,430	-	18,928,430
Educational programs	6,753,647	-	6,753,647
Other activities	20,428,052	-	20,428,052
Unrestricted	13,026,962	139,013	13,165,975
Total Net Assets	\$ 256,731,885	\$ 518,367	\$ 257,250,252

The accompanying notes are an integral part of these financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 137,123,083	\$ 1,303,212	\$ 33,057,198	\$ 1,256,806
Instruction-related activities:				
Supervision of instruction	7,926,761	67,213	4,826,013	-
Instructional library, media, and technology	2,748,522	12,388	41,221	-
School site administration	19,100,968	487,054	4,049,785	-
Pupil services:				
Home-to-school transportation	5,443,971	129,110	2,152,702	-
Food services	40,889	3,633,349	1,750,023	-
All other pupil services	11,749,467	24,585	3,246,925	-
General administration:				
Data processing	2,468,255	-	1,920	-
All other general administration	3,046,568	117,398	886,915	-
Plant services	26,867,469	271,964	2,049,467	-
Ancillary services	376,835	-	-	-
Community services	424,693	1,928	8,834	-
Interest on long-term obligations	8,074,546	-	-	-
Other outgo	1,539,685	74,449	903,102	-
Total Governmental Activities	226,931,712	6,122,650	52,974,105	1,256,806
Business-Type Activities:				
Food services	6,308,436	3,788,113	1,921,390	-
Total School District	\$ 233,240,148	\$ 9,910,763	\$ 54,895,495	\$ 1,256,806

General revenues and subventions

Property taxes, levied for general purposes
Property taxes, levied for debt service
Taxes levied for other specific purposes
Federal and State aid not restricted to specific purposes
Interest and investment earnings
Miscellaneous

Subtotal, General Revenues

Excess of Revenues Over (Under) Expenses Before Transfers

Transfers

Change in Net Assets

Net Assets - Beginning
Net Assets - Ending

The accompanying notes are an integral part of these financial statements.

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business- Type Activities	Total
\$ (101,505,867)	\$ -	\$ (101,505,867)
(3,033,535)	-	(3,033,535)
(2,694,913)	-	(2,694,913)
(14,564,129)	-	(14,564,129)
(3,162,159)	-	(3,162,159)
5,342,483	-	5,342,483
(8,477,957)	-	(8,477,957)
(2,466,335)	-	(2,466,335)
(2,042,255)	-	(2,042,255)
(24,546,038)	-	(24,546,038)
(376,835)	-	(376,835)
(413,931)	-	(413,931)
(8,074,546)	-	(8,074,546)
(562,134)	-	(562,134)
(166,578,151)	-	(166,578,151)
-	(598,933)	(598,933)
(166,578,151)	(598,933)	(167,177,084)
64,424,050	-	64,424,050
8,710,898	-	8,710,898
1,262,727	-	1,262,727
84,275,854	-	84,275,854
2,704,555	5,185	2,709,740
5,499,127	-	5,499,127
166,877,211	5,185	166,882,396
299,060	(593,748)	(294,688)
(535,000)	535,000	-
(235,940)	(58,748)	(294,688)
256,967,825	577,115	257,544,940
\$ 256,731,885	\$ 518,367	\$ 257,250,252

GROSSMONT UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2008

	General Fund	Building Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 9,408,104	\$ 56,526,337	\$ 16,305,552
Receivables	17,972,292	470,907	231,384
Due from other funds	3,862,139	2,835	140,831
Prepaid expenditures	368,081	-	-
Stores inventories	223,123	-	-
Total Assets	\$ 31,833,739	\$ 57,000,079	\$ 16,677,767
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 5,238,265	\$ 11,934,056	\$ 101,537
Due to other funds	3,599,872	80,991	-
Deferred revenue	368,147	-	-
Total Liabilities	9,206,284	12,015,047	101,537
FUND BALANCES			
Reserved:			
Revolving cash	60,000	-	-
Stores inventories	223,122	-	-
Prepaid expenditures	368,081	-	-
Legally restricted	6,450,063	-	-
Unreserved:			
Designated	15,526,189	44,985,032	16,576,230
Undesignated, reported in:			
Special revenue funds	-	-	-
Debt service fund	-	-	-
Total Fund Balances	22,627,455	44,985,032	16,576,230
Total Liabilities and Fund Balances	\$ 31,833,739	\$ 57,000,079	\$ 16,677,767

The accompanying notes are an integral part of these financial statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ 41,164,739	\$ 123,404,732
3,180,539	21,855,122
1,291,022	5,296,827
-	368,081
-	223,123
<u>\$ 45,636,300</u>	<u>\$ 151,147,885</u>
\$ 2,387,406	\$ 19,661,264
1,022,527	4,703,390
23,242	391,389
<u>3,433,175</u>	<u>24,756,043</u>
-	60,000
-	223,122
-	368,081
303,584	6,753,647
32,489,356	109,576,807
1,660,527	1,660,527
7,749,658	7,749,658
<u>42,203,125</u>	<u>126,391,842</u>
<u>\$ 45,636,300</u>	<u>\$ 151,147,885</u>

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GROSSMONT UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2008

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

Total Fund Balance - Governmental Funds		\$ 126,391,842
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 418,494,889	
Accumulated depreciation is	<u>(99,535,068)</u>	
Net Capital Assets		318,959,821
Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but should not be recognized in accrual basis.		
		1,026,089
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		
		(2,277,219)
An internal service fund is used by the District's management to charge the costs of the dental and vision program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		
		(398,740)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds, including unamortized premium	180,554,168	
Capital leases payable	2,809,635	
Compensated absences (vacations)	3,131,232	
Supplemental early retirement program	<u>474,873</u>	
Total Long-Term Obligations		(186,969,908)
Total Net Assets - Governmental Activities		<u>\$ 256,731,885</u>

The accompanying notes are an integral part of these financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Building Fund	County School Facilities Fund
REVENUES			
Revenue limit sources	\$ 130,109,915	\$ -	\$ -
Federal sources	11,054,311	-	-
Other State sources	28,511,997	-	-
Other local sources	21,931,481	3,359,704	1,256,807
Total Revenues	191,607,704	3,359,704	1,256,807
EXPENDITURES			
Current			
Instruction	117,092,448	-	-
Instruction-related activities:			
Supervision of instruction	6,868,836	-	-
Instructional library, media, and technology	2,733,171	-	-
School site administration	14,551,846	-	-
Pupil services:			
Home-to-school transportation	5,344,963	-	-
Food services	31,476	-	-
All other pupil services	11,052,175	-	-
General administration:			
Data processing	2,520,011	-	-
All other general administration	2,204,871	-	-
Plant services	24,531,564	1,093,162	499,717
Facility acquisition and construction	299,753	41,723,525	11,221,242
Ancillary services	374,561	-	-
Community services	421,216	-	-
Other outgo	1,539,685	-	-
Debt service			
Principal	701,742	-	-
Interest and other	138,476	-	-
Total Expenditures	190,406,794	42,816,687	11,720,959
Excess (Deficiency) of Revenues			
Over Expenditures	1,200,910	(39,456,983)	(10,464,152)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,962,069	-	-
Transfers out	(5,074,580)	-	-
Net Financing Sources (Uses)	(3,112,511)	-	-
NET CHANGE IN FUND BALANCES	(1,911,601)	(39,456,983)	(10,464,152)
Fund Balance - Beginning	24,539,056	84,442,015	27,040,382
Fund Balance - Ending	\$ 22,627,455	\$ 44,985,032	\$ 16,576,230

The accompanying notes are an integral part of these financial statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 130,109,915
1,661,319	12,715,630
12,597,689	41,109,686
16,672,299	43,220,291
<u>30,931,307</u>	<u>227,155,522</u>
8,071,988	125,164,436
965,987	7,834,823
-	2,733,171
3,632,766	18,184,612
-	5,344,963
-	31,476
-	11,052,175
-	2,520,011
551,697	2,756,568
1,155,732	27,280,175
12,560,917	65,805,437
-	374,561
2,919	424,135
-	1,539,685
5,135,000	5,836,742
5,320,488	5,458,964
<u>37,397,494</u>	<u>282,341,934</u>
<u>(6,466,187)</u>	<u>(55,186,412)</u>
3,087,511	5,049,580
(1,852,069)	(6,926,649)
<u>1,235,442</u>	<u>(1,877,069)</u>
(5,230,745)	(57,063,481)
47,433,870	183,455,323
<u>\$ 42,203,125</u>	<u>\$ 126,391,842</u>

GROSSMONT UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

Total Net Change in Fund Balances - Governmental Funds \$ (57,063,481)

Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

This is the amount by which capital outlay exceeds depreciation in the period.

Capital outlay	\$ 67,082,282	
Depreciation expense	<u>(12,263,184)</u>	
Net Expense Adjustment		54,819,098

Loss on disposal of capital assets is reported in the government-wide statement of net assets, but is not recorded in the governmental funds. (249,473)

In the statement of activities, certain operating expenses - compensated absences (vacations) and special termination benefits (supplemental early retirement program) are measured by the amounts earned or paid during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there were \$500,663 of special termination benefits paid. Vacation used was less than the amounts earned by \$104,738. 395,925

Governmental funds report the effect of premiums, discounts, issuance costs and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these related items:

Amortization of premium on issuance	226,983	
Amortization of cost of issuance	<u>(47,432)</u>	179,551

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities. 5,135,000

Repayment of capital lease principal is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities. 701,742

The accompanying notes are an integral part of these financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES - Continued FOR THE YEAR ENDED JUNE 30, 2008

Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of two factors.

\$ (2,795,133)

An internal service fund is used by the District's management to charge the costs of the dental and vision benefits program to the individual funds. The net revenue of the internal service fund is reported with governmental activities.

(1,359,169)

Change in Net Assets of Governmental Activities

\$ (235,940)

The accompanying notes are an integral part of these financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2008

	Business-Type Activities Enterprise Fund Food Services	Governmental Activities Internal Service Fund Self-Insurance
ASSETS		
Current Assets		
Deposits and investments	\$ 88,370	\$ 2,935,075
Receivables	624,017	363,637
Due from other funds	645,000	1,911,736
Stores inventories	129,716	-
Prepaid expenses	2,485	220,467
Total Current Assets	1,489,588	5,430,915
Noncurrent Assets		
Furniture and equipment (net)	379,354	-
Total Assets	1,868,942	5,430,915
LIABILITIES		
Current Liabilities		
Accounts payable	67,572	190,774
Due to other funds	1,283,003	1,867,170
Claim liabilities	-	479,453
Other postemployment benefits	-	3,292,258
Total Current Liabilities	1,350,575	5,829,655
NET ASSETS		
Invested in capital assets, net of related debt	379,354	-
Unrestricted	139,013	(398,740)
Total Net Assets	\$ 518,367	\$ (398,740)

The accompanying notes are an integral part of these financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES

IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities Enterprise Fund Food Services	Governmental Activities Internal Service Fund Self-Insurance
OPERATING REVENUES		
Charges for services	\$ 3,788,113	\$ 344,256
Charges to other funds	-	4,479,880
Total Operating Revenues	3,788,113	4,824,136
OPERATING EXPENSES		
Payroll costs	3,319,642	-
Professional and contract services	294,322	7,600,624
Supplies and materials	2,526,425	-
Other operating cost	100,604	-
Depreciation	67,443	-
Total Operating Expenses	6,308,436	7,600,624
Operating Income (Loss)	(2,520,323)	(2,776,488)
NONOPERATING REVENUES		
Interest income	5,185	75,250
Grants - child nutrition program	1,921,390	-
Transfers in	645,000	1,342,069
Transfers out	(110,000)	-
Total Nonoperating Revenues	2,461,575	1,417,319
Change in Net Assets	(58,748)	(1,359,169)
Total Net Assets - Beginning	577,115	960,429
Total Net Assets - Ending	\$ 518,367	\$ (398,740)

The accompanying notes are an integral part of these financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities Enterprise Fund Food Services	Governmental Activities Internal Service Fund Self-Insurance
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 3,455,915	\$ -
Cash receipts from interfund services provided	-	2,221,268
Other operating cash receipts	-	344,256
Cash payments to other suppliers of goods or services	(1,530,987)	-
Cash payments to employees for services	(3,319,642)	-
Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and equivalent to, services provided	-	(2,428,930)
Other operating cash payments	(1,014,926)	-
Net Cash Provided (Used) by Operating Activities	(2,409,640)	136,594
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating grants received	1,921,390	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	535,000	1,342,069
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	5,185	75,250
Net Increase in Cash and Cash Equivalents	51,935	1,553,913
Cash and Cash Equivalents - Beginning	36,435	1,381,162
Cash and Cash Equivalents - Ending	\$ 88,370	\$ 2,935,075

The accompanying notes are an integral part of these financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS - Continued FOR THE YEAR ENDED JUNE 30, 2008

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED)

BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (2,520,323)	\$ (2,776,488)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	67,443	-
Changes in assets and liabilities:		
Receivables	(332,198)	(346,876)
Due from other funds	(620,000)	(1,911,736)
Inventories	(5,858)	-
Other assets	(2,485)	(11,790)
Accrued liabilities	3,343	3,316,314
Due to other funds	1,000,438	1,867,170
NET CASH PROVIDED (USED)		
BY OPERATING ACTIVITIES	<u>\$ (2,409,640)</u>	<u>\$ 136,594</u>

NONCASH, NONCAPITAL FINANCING ACTIVITIES

During the year, the District received \$102,007 of food commodities from the U.S. Department of Agriculture.

The accompanying notes are an integral part of these financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2008

	Foundation Private- Purpose Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 541,865	\$ 3,013,769
Receivables	1,841	95,805
Total Assets	<u>\$ 543,706</u>	<u>\$ 3,109,574</u>
LIABILITIES		
Accounts payable	\$ -	\$ 29,463
Due to student groups	-	2,857,582
Deferred revenue	-	222,529
Total Liabilities	<u>-</u>	<u>\$ 3,109,574</u>
NET ASSETS		
Unreserved	<u>543,706</u>	
Total Net Assets	<u>\$ 543,706</u>	

The accompanying notes are an integral part of these financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2008

	Foundation Private- Purpose Trust
ADDITIONS	
Private donations	\$ 4,500
Interest	27,691
Total Additions	<u>32,191</u>
DEDUCTIONS	
Other expenditures	<u>40,150</u>
Total Deductions	<u>40,150</u>
Change in Net Assets	(7,959)
Net Assets - Beginning	<u>551,665</u>
Net Assets - Ending	<u>\$ 543,706</u>

The accompanying notes are an integral part of these financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Grossmont Union High School District (the "District") was organized in 1921 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades 9-12 as mandated by the State and/or Federal agencies. The District operates nine high schools, one continuation school, an adult school program, and an alternative education center.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Grossmont Union High School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units.

Other Related Entities

Charter School The District is the sponsoring local educational agency for Helix Charter School and Steele Canyon Charter School, both California Public Charter Schools. The Charter Schools receive State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. As part of its responsibility as the sponsor of the Charter School, the District could be responsible for disallowed expenditures under terms on the grants and apportionments. The Charter Schools are operated by separate governing boards and are not considered a component unit of the District.

Joint Powers Agencies and Public Entity Risk Pools The District is associated with one joint power agency and one public entity risk pool. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

San Diego County Schools Risk Management JPA
San Diego County Educational Facilities Authority No. 1

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

GROSSMONT UNION HIGH SCHOOL DISTRICT

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Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Special Reserve Non-Capital Fund The Special Reserve Non-Capital Fund is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (*Education Code* Section 42840)

GROSSMONT UNION HIGH SCHOOL DISTRICT

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Special Reserve Postemployment Benefits Fund The Special Reserve Postemployment Benefits Fund may be used pursuant to *Education Code* Section 42840 to account for amounts the District has earmarked for the future cost of postemployment benefits but has not contributed irrevocably to a separate trust for the postemployment benefit plan.

Capital Project Funds The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Debt Service Funds The Debt Service Funds are established to account for the accumulation of resources for and the payment of principal and interest on long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* Sections 15125-15262).

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the food service activities of the District.

Internal Service Fund Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a dental and vision self-insurance fund that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

GROSSMONT UNION HIGH SCHOOL DISTRICT

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Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust fund is the Foundation Private-Purpose Trust. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each governmental program, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund and enterprise fund are presented in a separate column on the face of the proprietary fund statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Proprietary Funds Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Certain grants received before the eligibility requirements are met, are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2008, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund represent investments required by Federal and State to be set aside by the District for the purpose of satisfying certain requirements of the Federal and State programs.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures incurred.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statement of net assets. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the capital assets of governmental funds.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and capital leases are recognized as liabilities in the governmental fund financial statements when due.

Deferred Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Fund Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, prepaid expenditures (expenses), and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties and other purposes.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Enabling legislation relates to laws passed that create a revenue source to be used for specific purposes. The government-wide financial statements report net assets restricted by enabling legislation of \$51,582,568.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for self-insurance and fees for meals served. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the statement of activities, except for the net residual amounts transferred between governmental and business-type activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Changes in Accounting Principles

In July 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The standards in this Statement apply for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. This Statement also provides requirements for reporting of OPEB funds by administrators of multiple-employer OPEB plans, when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. The District has implemented the provisions of this Statement for the fiscal year ended June 30, 2008.

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement requires local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

This Statement provided for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District has implemented the provisions of this Statement for the fiscal year ended June 30, 2008. The District had an annual required contribution of \$5,064,287 for the year ended June 30, 2008, and made a contribution of \$1,772,029 resulting in an OPEB obligation of \$3,292,258.

New Accounting Pronouncements

In May 2007, GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for OPEB and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as phase 1 or phase 2 governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 126,339,807
Business-type activities	88,370
Fiduciary funds	<u>3,555,634</u>
Total Deposits and Investments	<u>\$ 129,983,811</u>

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

Deposits and investments as of June 30, 2008, consist of the following:

Cash on hand and in banks	\$ 3,227,017
Cash in revolving	64,917
Investments	126,691,877
Total Deposits and Investments	<u>\$ 129,983,811</u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Amortized Cost	Fair Value	Maturity Date
County Treasury Investment Pool	\$ 126,351,972	\$ 126,787,785	427 days
Federal Home Loan Bank	339,905	339,905	06/08/12
Total	<u>\$ 126,691,877</u>	<u>\$ 127,127,690</u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Rating as of Year End
County Treasury Investment Pool	\$ 126,787,785	AAAf/S1
Federal Home Loan Bank	339,905	Aaa
Total	<u>\$ 127,127,690</u>	

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2008, the District's bank balance of \$3,246,750 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 3 - RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government						
Categorical aid	\$ 3,453,972	\$ -	\$ -	\$ 380,305	\$ -	\$ 3,834,277
State Government						
Apportionment	9,412,487	-	-	1,587,836	-	11,000,323
Categorical aid	2,511,870	-	-	114,586	-	2,626,456
Lottery	1,624,183	-	-	-	-	1,624,183
Local Government						
Interest	213,060	465,057	231,384	320,016	19,292	1,248,809
Other Local Sources	756,720	5,850	-	777,796	344,345	1,884,711
Total	<u>\$ 17,972,292</u>	<u>\$ 470,907</u>	<u>\$ 231,384</u>	<u>\$ 3,180,539</u>	<u>\$ 363,637</u>	<u>\$ 22,218,759</u>
					Enterprise Fund	Fiduciary Funds
Federal Government						
Categorical aid					\$ 496,874	\$ -
State Government						
Categorical aid					45,472	-
Local Government						
Interest					-	1,841
Other Local Sources					81,671	95,805
Total					<u>\$ 624,017</u>	<u>\$ 97,646</u>

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 34,839,156	\$ -	\$ -	\$ 34,839,156
Construction in progress	13,653,845	57,894,240	14,499,703	57,048,382
Total Capital Assets				
Not Being Depreciated	48,493,001	57,894,240	14,499,703	91,887,538
Capital Assets Being Depreciated				
Land improvements	66,093,407	14,016,880	129,120	79,981,167
Buildings and improvements	218,659,536	7,976,528	86,887	226,549,177
Furniture and equipment	18,540,544	1,694,337	157,874	20,077,007
Total Capital Assets				
Being Depreciated	303,293,487	23,687,745	373,881	326,607,351
Less Accumulated Depreciation				
Land improvements	9,431,786	3,292,652	92	12,724,346
Buildings and improvements	65,191,944	7,542,398	15,058	72,719,284
Furniture and equipment	12,772,562	1,428,134	109,258	14,091,438
Total Accumulated Depreciation	87,396,292	12,263,184	124,408	99,535,068
Governmental Activities				
Capital Assets, Net	<u>\$ 264,390,196</u>	<u>\$ 69,318,801</u>	<u>\$ 14,749,176</u>	<u>\$ 318,959,821</u>
Business-Type Activities				
Furniture and equipment	\$ 769,462	\$ -	\$ -	\$ 769,462
Less accumulated depreciation	322,665	67,443	-	390,108
Business-Type Activities				
Capital Assets, Net	<u>\$ 446,797</u>	<u>\$ (67,443)</u>	<u>\$ -</u>	<u>\$ 379,354</u>

Depreciation expense was charged to governmental and business-type functions as follows:

Governmental Activities	
Instruction	\$ 11,036,865
All other pupil services	684,566
All other general administration	541,753
Total Depreciation Expenses Governmental Activities	<u>12,263,184</u>
Business-Type Activities	
Food services	67,443
Total Depreciation Expenses All Activities	<u>\$ 12,330,627</u>

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances consist of amounts due for cost allocation or to cover another fund's operating deficit. Interfund receivable and payable balances at June 30, 2008, between major and non-major governmental funds, non-major enterprise funds and internal service funds are as follows:

Due To	Due From					Total
	General Fund	Building Fund	Non-Major Governmental Funds	Enterprise Fund	Internal Service Fund	
General Fund	\$ 4,166	\$ 73,870	\$ 710,618	\$ 1,283,003	\$ 1,790,482	\$ 3,862,139
Building Fund	2,728	-	107	-	-	2,835
County School Facilities Fund	-	-	140,831	-	-	140,831
Non-Major Governmental Funds	1,213,671	-	663	-	76,688	1,291,022
Enterprise Fund	645,000	-	-	-	-	645,000
Internal Service Fund	1,734,307	7,121	170,308	-	-	1,911,736
Total	<u>\$ 3,599,872</u>	<u>\$ 80,991</u>	<u>\$ 1,022,527</u>	<u>\$ 1,283,003</u>	<u>\$ 1,867,170</u>	<u>\$ 7,853,563</u>

A balance of \$987,511 due to the Special Reserve Non-Capital Fund from the General Fund for mandated costs.

A balance of \$1,734,307 due to Internal Service Fund from the General Fund for other postemployment benefits.

The balance of \$1,283,003 due to the General Fund from the Enterprise Fund resulted from payroll expenditures.

A balance of \$117,608 due to the General Fund from the Adult Education Fund resulted from payroll and related expenditures.

A balance of \$494,316 due to the General Fund from the Adult Education Fund resulted from indirect costs charges.

A balance of \$645,000 due to the Enterprise Fund from the General Fund resulted from cash flow operational loan.

A balance of \$140,831 due to the County School Facilities Fund from the Special Reserve Capital Fund for reimbursement of project costs.

Remaining balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

Operating Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfer To	Transfer From			Total
	General Fund	Non-Major Governmental Funds	Enterprise Fund	
General Fund	\$ -	\$ 1,852,069	\$ 110,000	\$ 1,962,069
Non-Major Governmental Funds	3,087,511	-	-	3,087,511
Enterprise Fund	645,000	-	-	645,000
Internal Service Fund	1,342,069	-	-	1,342,069
Total	\$ 5,074,580	\$ 1,852,069	\$ 110,000	\$ 7,036,649

The General Fund transferred to the Deferred Maintenance Fund for District match.	\$ 1,100,000
The General Fund transferred to the Special Reserve Non-Capital Fund for mandated costs reserves.	987,511
The General Fund transferred to the Special Reserve Capital Outlay Fund for safety facility needs.	1,000,000
The General Fund transferred to the Cafeteria Enterprise Fund for excess program costs.	645,000
The General Fund transferred to the Internal Service Fund for retiree benefits reserve.	1,342,069
The Special Reserve Non-Capital Fund transferred to the General Fund for supplemental retirement program payment.	500,000
The Special Reserve Postemployment Fund transferred to the General Fund for postemployment benefit costs.	1,342,069
The Special Reserve Capital Outlay Fund transferred to the General Fund for reimbursement of school sound system.	10,000
The Cafeteria Enterprise Fund transferred to the General Fund for repayment of equipment loan.	110,000
Total	<u>\$ 7,036,649</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2008, consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Salaries and benefits	\$ 3,373,346	\$ 5,638	\$ -	\$ 497,695	\$ 3,876,679
Supplies	655,954	-	-	18,699	674,653
Services	905,417	10,516	-	802,181	1,718,114
Construction	42,864	11,917,902	101,537	1,059,481	13,121,784
Other vendor payables	260,684	-	-	9,350	270,034
Total	<u>\$ 5,238,265</u>	<u>\$ 11,934,056</u>	<u>\$ 101,537</u>	<u>\$ 2,387,406</u>	<u>\$ 19,661,264</u>

	Internal Service Fund	Total Governmental Activities	Enterprise Fund	Fiduciary Fund
Salaries and benefits	\$ -	\$ 3,876,679	\$ -	\$ -
Supplies	-	674,653	-	-
Services	-	1,718,114	-	-
Construction	-	13,121,784	-	-
Other vendor payables	190,774	460,808	67,572	29,463
Total	<u>\$ 190,774</u>	<u>\$ 19,852,038</u>	<u>\$ 67,572</u>	<u>\$ 29,463</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2008, consists of the following:

	General Fund	Non-Major Governmental Funds	Total	Fiduciary Fund
Federal financial assistance	\$ 71,191	\$ -	\$ 71,191	\$ -
State categorical aid	216,270	18,855	235,125	-
Other local	80,686	4,387	85,073	222,529
Total	<u>\$ 368,147</u>	<u>\$ 23,242</u>	<u>\$ 391,389</u>	<u>\$ 222,529</u>

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Due in One Year
General obligation bonds	\$ 177,526,994	\$ 3,152,058	\$ 5,135,000	\$ 175,544,052	\$ 3,895,000
Unamortized premium	5,237,099	-	226,983	5,010,116	-
Capital leases	3,511,377	-	701,742	2,809,635	682,642
Compensated absences	3,026,494	104,738	-	3,131,232	-
Supplemental early retirement program	975,536	-	500,663	474,873	474,873
Other postemployment benefits	-	3,292,258	-	3,292,258	-
	<u>\$ 190,277,500</u>	<u>\$ 6,549,054</u>	<u>\$ 6,564,388</u>	<u>\$ 190,262,166</u>	<u>\$ 5,052,515</u>

Payments for the General Obligation Bonds are made by the Bond Interest and Redemption Fund. Payments for the Capital Leases are made by the General Fund. The accrued vacation will be paid by the fund for which the employee worked. Payments for the Supplemental Early Retirement Program are made by the General Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2007	Accreted	Redeemed	Bonds Outstanding June 30, 2008
6/4/04	8/1/28	3.00-5.91%	\$ 60,841,197	\$ 51,151,776	\$ 988,557	\$ 2,610,000	\$ 49,530,333
6/2/06	8/1/30	3.48-5.04%	124,999,225	126,375,218	2,163,501	2,525,000	126,013,719
			<u>\$ 185,840,422</u>	<u>\$ 177,526,994</u>	<u>\$ 3,152,058</u>	<u>\$ 5,135,000</u>	<u>\$ 175,544,052</u>

2004 General Obligation Bonds

On June 4, 2004, the District issued \$60,841,197 Election of 2004, Series 2004 General Obligation Bonds in order to finance the construction of new schools, financing site acquisition costs and the redemption of outstanding certificates of participation issued by the District in 1991 and 1997. The bonds mature on August 1, 2028, and yield an interest rate of 3.00 - 5.91 percent. At June 30, 2008, Series 2004 General Obligation Bonds totaling \$49,530,333 were still outstanding. Unamortized premium received on issuance of the bonds amounted to \$2,210,232 as of June 30, 2008.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

2006 General Obligation Bonds

On June 2, 2006, the District issued \$124,999,225 Election of 2004, Series 2006 General Obligation Bonds in order to finance the modernization of existing school facilities. The bonds mature on August 1, 2030, and yield an interest rate of 3.48 - 5.04 percent. At June 30, 2008, Series 2006 General Obligation Bonds totaling \$126,013,719 were still outstanding. Unamortized premium received on issuance of the bonds amounted to \$2,799,884 as of June 30, 2008.

Debt Service Requirements to Maturity

The bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest to Maturity Including Accreted Interest	Total
2009	\$ 3,895,000	\$ 5,349,000	\$ 9,244,000
2010	3,015,000	5,218,212	8,233,212
2011	3,565,000	5,091,550	8,656,550
2012	3,880,000	4,947,588	8,827,588
2013	4,500,000	4,772,263	9,272,263
2014-2018	33,085,000	19,808,488	52,893,488
2019-2023	54,219,338	13,726,856	67,946,194
2024-2028	41,505,429	46,961,321	88,466,750
2029-2031	27,879,285	56,810,715	84,690,000
Total	<u>\$ 175,544,052</u>	<u>\$ 162,685,993</u>	<u>\$ 338,230,045</u>

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

Capital Leases

The District's liability on lease agreements with options to purchase is summarized below:

Balance, July 1, 2007	\$ 4,084,876
Payments	802,852
Balance, June 30, 2008	<u>\$ 3,282,024</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2009	\$ 789,790
2010	358,886
2011	357,763
2012	356,160
2013	356,531
2014-2018	884,175
2019	178,719
Total	<u>3,282,024</u>
Less: Amount Representing Interest	472,389
Present Value of Minimum Lease Payments	<u>\$ 2,809,635</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2008, amounted to \$3,132,232.

Supplemental Early Retirement Program

During March 2004, the District adopted a supplementary early retirement plan whereby certain eligible certificated non-management and classified employees are provided an annuity to supplement the retirement benefits they are entitled to through their respective retirement systems. The criteria for certificated employee participation are as follows: full-time employee of the District, at least 55 years of age by the date of retirement, with at least 10 years of continuous service with the District by the date of retirement. The criteria for classified employee participation are as follows: actively employed by the District, at least 50 years of age and have five years of service credit time, and eligible for retirement in the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period for certificated employees and a one-time payment for classified employees. The annuities, which were purchased for 72 certificated employees and 46 classified employees who retired during the 2003-2004 school year, were purchased from Nationwide Trust Company.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

The following schedule represents the annual payment requirements:

Year Ending	Amount
June 30,	
2009	\$ 474,873

Other Postemployment Benefit (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2008. The District's annual required contribution for the year ended June 30, 2008, was \$5,064,287 and contributions made by the District during the year were \$1,772,029, which resulted in a net OPEB obligation of \$3,292,258. See Note 10 for additional information regarding the OPEB Obligation and the postemployment benefit plan.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 9 - FUND BALANCES

Fund balances with reservations/designations are composed of the following elements:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Reserved					
Revolving cash	\$ 60,000	\$ -	\$ -	\$ -	\$ 60,000
Stores inventories	223,122	-	-	-	223,122
Prepaid expenditures	368,081	-	-	-	368,081
Restricted programs	6,450,063	-	-	303,584	6,753,647
Total Reserved	7,101,266	-	-	303,584	7,404,850
Unreserved					
Designated					
Economic uncertainties	5,745,553	-	-	799,528	6,545,081
Budget flexibility	2,616,371	-	-	-	2,616,371
Mandated costs	-	-	-	11,466,478	11,466,478
Student system	766,337	-	-	-	766,337
Capital equipment	168,395	-	-	250,000	418,395
Program development	1,416,743	-	-	1,409,686	2,826,429
Facilities and sites	2,870,000	-	-	4,787,597	7,657,597
Vehicle replacement	-	-	-	614,443	614,443
Approved capital projects	-	44,985,032	16,576,230	8,475,149	70,036,411
Other designations	1,942,790	-	-	4,686,475	6,629,265
Total Designated	15,526,189	44,985,032	16,576,230	32,489,356	109,576,807
Undesignated	-	-	-	9,410,185	9,410,185
Total Unreserved	15,526,189	44,985,032	16,576,230	41,899,541	118,986,992
Total	\$22,627,455	\$44,985,032	\$ 16,576,230	\$ 42,203,125	\$126,391,842

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Grossmont Union High School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 295 retirees and beneficiaries currently receiving benefits, and 2,299 active Plan members.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers Association (CEA), and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2007-08, the District contributed \$1,772,029 to the Plan, all of which was used for current premiums (approximately 60 percent of total premiums).

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 5,064,287
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	-
Contributions made	1,772,029
Decrease in net OPEB obligation	3,292,258
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ 3,292,258</u>

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2008 was as follows:

Year Ended June 30, 2008	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2008	\$ 5,064,287	35%	\$ 3,292,258

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since this is the first year of implementation, only the current year information is presented.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2006, actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio. Healthcare cost trend rates ranged from an initial one percent to an ultimate rate of 12 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2008, was 29 years. The actuarial value of assets was not determined in this actuarial valuation.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 11 - RISK MANAGEMENT – CLAIMS

Description

The District's risk management activities are recorded in the General and Self-Insurance Funds. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance. The District participates in the San Diego County Schools Risk Management public entity risk pool for the worker's compensation programs and property/liability coverage. Refer to Note 14 for additional information regarding the risk pool. The Dental and Vision Program, for which the District retains the risk of loss, is administered through the Self-Insurance Fund. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Claims Liabilities

The District records an estimated reserve for dental and vision claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2006 to June 30, 2008:

	Dental and Vision
Liability Balance, July 1, 2006	\$ 464,499
Claims and changes in estimates	2,773,735
Claims payments	(2,775,629)
Liability Balance, June 30, 2007	462,605
Claims and changes in estimates	4,325,113
Claims payments	(4,308,265)
Liability Balance, June 30, 2008	\$ 479,453
Assets available to pay claims at June 30, 2008	\$ 2,138,657

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$7,240,133, \$7,962,230, and \$7,205,534, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-2008 was 9.306 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$4,001,597, \$3,996,871, and \$3,456,840, respectively, and equal 100 percent of the required contributions for each year.

Alternative Program

The District also provides the Accumulation Program for Part-time and Limited-Service Employees (APPLE), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the APPLE as its alternative plan. Contributions made by the District and an employee vest immediately. The District does not contribute to the plan. An employee is required to contribute 7.50 percent of his or her gross earnings to the pension plan.

During the year, the employee's required and actual contributions amounted to \$174,136, which was 7.50 percent of their current year covered payroll.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,962,961 (4.517 percent of salaries subject to CalSTRS). No contributions were made for CalPERS for the year ended June 30, 2008. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Budgetary Comparison Schedule.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2008.

Operating Leases

The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessees, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2009	\$ 395,555
2010	395,555
2011	395,555
Total	<u>\$ 1,186,665</u>

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

Construction Commitments

As of June 30, 2008, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Phase 2B Modernization at Grossmont High School	\$ 733,232	10/31/08
Phase 2B Modernization at Granite Hills High School	966,196	10/31/08
Phase 2A Infrastructure at Mount Miguel High School	3,415,657	10/31/08
Interim Housing at Mount Miguel High School	54,091	10/31/08
Synthetic Turf Field at Mount Miguel High School	1,137,000	10/31/08
Synthetic Turf Field at Granite Hills High School	810,500	10/31/08
Synthetic Turf Field at Monte Vista High School	951,400	10/31/08
Food Services and Aquatics Relocatable replacement	264,000	10/31/08
Phase 2B Modernization at El Cajon Valley High School	1,234,438	11/30/08
Phase 2B Modernization at Santana High School	568,852	11/30/08
Phase 2B Modernization at El Capitan High School	1,438,950	12/31/08
Phase 2B Modernization at West Hills High School	3,320,728	12/31/08
Phase 2B Modernization at Monte Vista High School	2,176,532	01/31/09
Phase 2B Modernization at Helix High School	4,619,837	03/31/09
Phase 2B Modernization at Valhalla High School	259,644	09/30/10
	<u>\$ 21,951,057</u>	

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the San Diego County School Risk Management risk pool (the "Pool"). The District pays an annual premium for its workers' compensation and property liability coverage.

On August 10, 1994, the District entered into a Joint Exercise of Power Agreement with the San Diego County Office of Education for the purpose of establishing a joint use educational facility. The agreement created a public entity known as the San Diego County Educational Facilities Authority No. 1 (the "Authority") to be separate and apart from the District and the Office of Education. The Authority sold \$4,620,000 in 1995 Lease Revenue Bonds for the funding of the joint facilities. The repayment of the bonds are made equally by the District and the San Diego County Office of Education from space rental of the joint facility. The bonds mature in 2019. The District's required total lease payment is \$1,955,202, which represents \$1,592,500 principal and \$362,702 interest.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

The relationships between the District, the Pool, and the JPA's are such that they are not component units of the District for financial reporting purposes. These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2008, the District made payment of \$5,714,349 to San Diego County School Risk Management for premiums.

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REQUIRED SUPPLEMENTARY INFORMATION

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GROSSMONT UNION HIGH SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
	Original	Final		
REVENUES				
Revenue limit sources	\$130,031,161	\$130,112,461	\$130,109,915	\$ (2,546)
Federal sources	10,359,257	13,065,797	11,054,311	(2,011,486)
Other State sources	23,645,189	25,186,532	28,511,997	3,325,465
Other local sources	21,056,449	22,575,643	21,931,481	(644,162)
Total Revenues ¹	185,092,056	190,940,433	191,607,704	667,271
EXPENDITURES				
Current				
Instruction	107,040,499	119,093,087	117,092,448	2,000,639
Instruction-related activities:				
Supervision of instruction	6,151,638	4,589,438	6,868,836	(2,279,398)
Instructional library, media, and technology	2,697,956	3,188,787	2,733,171	455,616
School site administration	16,170,417	16,313,815	14,551,846	1,761,969
Pupil services:				
Home-to-school transportation	4,863,813	4,847,513	5,344,963	(497,450)
Food services	-	-	31,476	(31,476)
All other pupil services	10,313,829	10,627,487	11,052,175	(424,688)
General administration:				
Data processing	3,234,084	3,309,541	2,520,011	789,530
All other general administration	2,908,182	4,582,170	2,204,871	2,377,299
Plant services	24,145,192	24,423,765	24,531,564	(107,799)
Facility acquisition and construction	51,284	120,386	299,753	(179,367)
Ancillary services	423,856	449,607	374,561	75,046
Community services	369,610	377,575	421,216	(43,641)
Other outgo	1,013,141	1,013,141	1,539,685	(526,544)
Debt service				
Principal	789,796	789,796	701,742	88,054
Interest and other	-	-	138,476	(138,476)
Total Expenditures ¹	180,173,297	193,726,108	190,406,794	3,319,314
Excess (Deficiency) of Revenues Over Expenditures	4,918,759	(2,785,675)	1,200,910	3,986,585
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	1,962,069	1,962,069	-
Transfers out	(1,100,000)	(1,122,510)	(5,074,580)	(3,952,070)
Net Financing Sources (Uses)	(1,050,000)	839,559	(3,112,511)	(3,952,070)
NET CHANGE IN FUND BALANCES	3,868,759	(1,946,116)	(1,911,601)	34,515
Fund Balance - Beginning	24,539,056	24,539,056	24,539,056	-
Fund Balance - Ending	\$ 28,407,815	\$ 22,592,940	\$ 22,627,455	\$ 34,515

¹ On behalf payments of \$3,962,961 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

GROSSMONT UNION HIGH SCHOOL DISTRICT

SCHEDULES OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
 PROGRESS AND EMPLOYER CONTRIBUTION
 FOR THE YEAR ENDED JUNE 30, 2008

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2006	\$ -	\$ 42,216,851	\$ 42,216,851	\$ -	\$ 129,741,327	33%

SUPPLEMENTARY INFORMATION

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GROSSMONT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Awards			
Safe and Drug-Free Schools and Communities	84.184L	N/A	\$ 448,862
Passed through California Department of Education			
Adult Basic Education Grant Cluster:			
Priority Project 1-3	84.002A	14508	98,341
Priority Project 4 - Family Literacy	84.002A	13977	1,800
Priority Project 5 - GED Services	84.002A	13978	25,257
Citizenship Partnership	84.002A	14109	15,000
Subtotal - Adult Education - Basic Grant Cluster:			140,398
No Child Left Behind Act			
Title I, Part A - Grants to LEA Cluster:			
Title I, Part A - Low Income and Neglected, Part A	84.010	13797	1,802,565
Title I - School Improvement, Corrective Active Plans	84.010A	14579	598,111
Subtotal - Title I, Part A - Grants to LEA Cluster:			2,400,676
Title II, Part A - Improving Teacher Quality	84.367	14341	751,540
Title II, Part A - Principal Training	84.367	14344	34,200
Subtotal - Title II, Part A - Improving Teacher Quality State Grant Cluster:			785,740
Title II, Part D - Enhancing Education Through Technology	84.318	14334	29,083
Title III, Part A - Limited English Proficiency	84.365	10084	144,675
Title IV - Drug-Free Schools	84.186	14378	50,894
Title IV, Part B, 21st Century Community Learning Centers (CCLC)	84.287	14535	309,181
Title V - Innovative Strategies	84.298	13340	20,626
Title VI - English Language Development Test (ELDT) Funding	84.369	14363	13,055
Advanced Placement Test Fee Reimbursement Program	84.330	14333	23,420
Workability II - Transition Partnership	84.158	10006	293,502
Carl D. Perkins Vocational and Technical Education Act of 1998			
Career and Technical Education - Basic Grants to State Cluster			
Post Secondary	84.048	13923	472,137
Secondary Education	84.048	13924	169,039
Technology Preparation	84.243	13929	110,317
Subtotal - Career and Technical Education - Basic Grants to State Cluster			751,493
Passed through Grossmont-Cuyamaca Community College District			
Vocational Education Grants			
Technology Preparation	84.243	13929	4,096
California GEAR-Up	84.334A	10088	306,445
Passed through East County SELPA Education			
Individuals with Disabilities Education Act			
Local Assistance	84.027	13379	3,838,526
Passed through San Diego County Superintendent of Schools			
Safe and Drug-Free Schools and Communities			
Alcohol Abuse Reduction Grant	84.184A	14347	13,450
Total U.S. Department of Education			9,574,122

The accompanying notes are an integral part of these financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – Continued FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U. S. DEPARTMENT OF HEALTH SERVICES			
Passed through California Department of Education			
Infant and Toddler Child Care Resource Program	93.575	13942	\$ 2,919
Medi-Cal Billing Option	93.778	10013	902,681
Passed through Orange County Department of Education			
Medi-Cal Administrative Activities	93.778	10060	906,092
Total U.S. Department of Health Services			<u>1,811,692</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	1,222,767
Basic School Breakfast Program	10.553	13390	431,533
Commodities	10.550	13389	102,007
Total U.S. Department of Agriculture			<u>1,756,307</u>
U.S. DEPARTMENT OF LABOR			
Passed through California Department of Education			
Passed through San Diego Workforce Partnership, Inc.			
Workforce Investment Act	17.259	10055	1,342,871
Total Expenditures of Federal Awards			<u>\$ 14,484,992</u>

The accompanying notes are an integral part of these financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2008

ORGANIZATION

The Grossmont Union High School District was established in 1921, and consists of an area comprising approximately 465 square miles. The District operates nine high schools, one continuation, an adult school program, and an alternative education center. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Larry Urdahl	President	2008
Dick Hoy	Vice President	2010
Priscilla Schreiber	Clerk	2008
Jim Kelly	Member	2010
Robert Shield	Member	2010

ADMINISTRATION

Robert J. Collins	District Superintendent
Scott H. Patterson	Deputy Superintendent, Business Services
Michael Lewis	Assistant Superintendent, Educational Services
Steve Sonnich	Associate Administrator, Human Resources

The accompanying notes are an integral part of these financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2008

	Amended Annual ADA	Second Period ADA		Increase (Decrease)
		Amended 2007-2008	Amended 2006-2007	
SECONDARY				
Regular classes	16,461	16,645	18,724	(2,079)
Continuation education	215	211	202	9
Home and hospital	16	16	5	11
Special education	1,555	1,549	1,728	(179)
Community day	49	42	56	(14)
Total Secondary	18,296	18,463	20,715	(2,252)
CLASSES FOR ADULTS				
Concurrently enrolled	103	90	80	10
Not concurrently enrolled	3,490	3,267	3,081	186
Students 21 and over and 19 or older not continuously enrolled since their 18th birthday, enrolled in K-12 through independent study	29	27	26	1
Adults in correctional facilities	859	816	829	(13)
Total Classes for Adults	4,481	4,200	4,016	184
Grand Total	22,777	22,663	24,731	(2,068)
SUMMER SCHOOL				
Core	39,908			
Proficiency	756,394			
Total Hours	796,302			

The accompanying notes are an integral part of these financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2008

Grade Level	1982-83	1986-87	2007-08	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grades 9 - 12	64,800					
Grade 9	-	64,800	64,913	180	-	Complied
Grade 10	-	64,800	64,913	180	-	Complied
Grade 11	-	64,800	64,913	180	-	Complied
Grade 12	-	64,800	64,913	180	-	Complied

The accompanying notes are an integral part of these financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2008.

The accompanying notes are an integral part of these financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008

	(Budget) 2009 ¹	2008	2007	2006
GENERAL FUND				
Revenues	\$ 179,225,788	\$ 191,607,704	\$ 224,012,218	\$ 188,196,737
Other sources and transfers in	2,681,820	1,962,069	1,082,186	2,084,184
Total Revenues and Other Sources	181,907,608	193,569,773	225,094,404	190,280,921
Expenditures	180,173,297	190,406,794	205,067,428	184,844,966
Other uses and transfers out	1,100,000	5,074,580	15,920,225	3,948,744
Total Expenditures and Other Uses	181,273,297	195,481,374	220,987,653	188,793,710
INCREASE (DECREASE) IN FUND BALANCE	\$ 634,311	\$ (1,911,601)	\$ 4,106,751	\$ 1,487,211
ENDING FUND BALANCE	\$ 23,261,766	\$ 22,627,455	\$ 24,539,056	\$ 20,432,305
AVAILABLE RESERVES ²	\$ 15,287,300	\$ 17,826,474	\$ 17,629,431	\$ 7,564,404
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	8.43%	9.31%	8.14%	4.09%
LONG-TERM OBLIGATIONS	N/A	\$ 190,262,166	\$ 190,277,500	\$ 193,860,449
K-12 AVERAGE DAILY ATTENDANCE AT P-2 ^{4,5}	18,454	18,467	20,715	20,668

The General Fund balance has increased by \$2,195,150 over the past two years. The fiscal year 2008-2009 budget projects a further increase of \$634,311 (2.8 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2008-2009 fiscal year. Total long-term obligations have decreased by \$3,598,283 over the past two years.

Average daily attendance has decreased by 2,201 over the past two years. Additional decline of 13 ADA is anticipated during fiscal year 2008-2009.

¹ Budget 2009 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund and Special Reserve Fund (other than capital outlay).

³ On-behalf payments of \$3,962,961 and \$4,357,894 have been excluded from expenditures in the calculation of available reserves for fiscal years ending June 30, 2008 and 2007, respectively.

⁴ Excludes Adult Education ADA.

⁵ Excludes Steele Canyon Charter High School ADA starting in 2008.

The accompanying notes are an integral part of these financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

EXCESS SICK LEAVE

JUNE 30, 2008

Section 19833.5 (a)(3) or (a)(3)(b) Disclosure

Grossmont Union High School District does not provide more than 12 sick leave days in a school year to any CalSTRS member.

The accompanying notes are an integral part of these financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2008

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Helix Charter High School	No
Steele Canyon Charter High School	No

The accompanying notes are an integral part of these financial statements.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2008

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2008

Excess Sick Leave

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers' Retirement System (CalSTRS).

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the Grossmont Union High School District, and displays information for each Charter School on whether or not the Charter School is included in the Grossmont Union High School District audit.

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SUPPLEMENTARY INFORMATION - UNAUDITED

GROSSMONT UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET - UNAUDITED JUNE 30, 2008

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund
ASSETS				
Deposits and investments	\$ 6,841,950	\$ 138,147	\$ 1,643,803	\$ 10,998,538
Receivables	2,086,222	70,568	15,781	94,872
Due from other funds	149,783	103,189	-	987,511
Total Assets	\$ 9,077,955	\$ 311,904	\$ 1,659,584	\$ 12,080,921
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,369,053	\$ 1,915	\$ 344,861	\$ -
Due to other funds	762,758	68,393	180	-
Deferred revenue	23,242	-	-	-
Total Liabilities	2,155,053	70,308	345,041	-
Fund Balances:				
Reserved for:				
Legally restricted balance	171,674	131,910	-	-
Unreserved:				
Designated	5,090,701	109,686	1,314,543	12,080,921
Undesignated, reported in:				
Special revenue funds	1,660,527	-	-	-
Debt service funds	-	-	-	-
Total Fund Balances	6,922,902	241,596	1,314,543	12,080,921
Total Liabilities and Fund Balances	\$ 9,077,955	\$ 311,904	\$ 1,659,584	\$ 12,080,921

The accompanying notes are an integral part of these financial statements - unaudited.

Special Reserve Postemployment Benefits Fund	Capital Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 15,140	\$ 7,060,033	\$ 6,717,470	\$ 7,749,658	\$ 41,164,739
4,033	105,760	803,303	-	3,180,539
30,200	137	20,202	-	1,291,022
<u>\$ 49,373</u>	<u>\$ 7,165,930</u>	<u>\$ 7,540,975</u>	<u>\$ 7,749,658</u>	<u>\$ 45,636,300</u>
\$ -	\$ 4,947	\$ 666,630	\$ -	\$ 2,387,406
49,373	377	141,446	-	1,022,527
-	-	-	-	23,242
<u>49,373</u>	<u>5,324</u>	<u>808,076</u>	<u>-</u>	<u>3,433,175</u>
-	-	-	-	303,584
-	7,160,606	6,732,899	-	32,489,356
-	-	-	-	1,660,527
-	-	-	7,749,658	7,749,658
<u>-</u>	<u>7,160,606</u>	<u>6,732,899</u>	<u>7,749,658</u>	<u>42,203,125</u>
<u>\$ 49,373</u>	<u>\$ 7,165,930</u>	<u>\$ 7,540,975</u>	<u>\$ 7,749,658</u>	<u>\$ 45,636,300</u>

GROSSMONT UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2008

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund
REVENUES				
Federal sources	\$ 1,652,308	\$ 9,011	\$ -	\$ -
Other State sources	11,270,260	222,459	977,689	-
Other local sources	2,082,919	7,107	168,618	430,407
Total Revenues	15,005,487	238,577	1,146,307	430,407
EXPENDITURES				
Current				
Instruction	8,044,960	27,028	-	-
Instruction-related activities:				
Supervision of instruction	832,498	133,489	-	-
School site administration	3,632,766	-	-	-
General administration:				
All other general administration	494,316	4,757	-	-
Plant services	784,915	-	2,845	-
Facility acquisition and construction	2,201,103	-	3,197,394	-
Community services	-	2,919	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	15,990,558	168,193	3,200,239	-
Excess (Deficiency) of				
Revenues Over Expenditures	(985,071)	70,384	(2,053,932)	430,407
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,100,000	987,511
Transfers out	-	-	-	(500,000)
Net Financing				
Sources (Uses)	-	-	1,100,000	487,511
NET CHANGE IN FUND BALANCES	(985,071)	70,384	(953,932)	917,918
Fund Balance - Beginning	7,907,973	171,212	2,268,475	11,163,003
Fund Balance - Ending	\$ 6,922,902	\$ 241,596	\$ 1,314,543	\$ 12,080,921

The accompanying notes are an integral part of these financial statements - unaudited.

Special Reserve Postemployment Benefits Fund	Capital Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,661,319
-	-	271	127,010	12,597,689
34,234	1,601,062	3,362,974	8,984,978	16,672,299
34,234	1,601,062	3,363,245	9,111,988	30,931,307
-	-	-	-	8,071,988
-	-	-	-	965,987
-	-	-	-	3,632,766
-	52,624	-	-	551,697
-	120,233	247,739	-	1,155,732
-	1,471,831	5,690,589	-	12,560,917
-	-	-	-	2,919
-	-	-	5,135,000	5,135,000
-	-	-	5,320,488	5,320,488
-	1,644,688	5,938,328	10,455,488	37,397,494
34,234	(43,626)	(2,575,083)	(1,343,500)	(6,466,187)
-	-	1,000,000	-	3,087,511
(1,342,069)	-	(10,000)	-	(1,852,069)
(1,342,069)	-	990,000	-	1,235,442
(1,307,835)	(43,626)	(1,585,083)	(1,343,500)	(5,230,745)
1,307,835	7,204,232	8,317,982	9,093,158	47,433,870
\$ -	\$ 7,160,606	\$ 6,732,899	\$ 7,749,658	\$ 42,203,125

GROSSMONT UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2008

NOTE 1 - PURPOSE OF SCHEDULES

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance - Unaudited

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

INDEPENDENT AUDITORS' REPORTS

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Grossmont Union High School District
El Cajon, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grossmont Union High School District as of and for the year ended June 30, 2008, which collectively comprise Grossmont Union High School District's basic financial statements and have issued our report thereon dated December 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grossmont Union High School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Grossmont Union High School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Grossmont Union High School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grossmont Union High School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Grossmont Union High School District in a separate letter dated December 2, 2008.

This report is intended solely for the information and use of the governing board, audit committee, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Varnick, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2008



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board
Grossmont Union High School District
El Cajon, California

Compliance

We have audited the compliance of Grossmont Union High School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2008. Grossmont Union High School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Grossmont Union High School District's management. Our responsibility is to express an opinion on Grossmont Union High School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Grossmont Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Grossmont Union High School District's compliance with those requirements.

In our opinion, Grossmont Union High School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Grossmont Union High School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Grossmont Union High School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Grossmont Union High School District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing board, audit committee, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vannick, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2008



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Grossmont Union High School District
El Cajon, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grossmont Union High School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Grossmont Union High School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Grossmont Union High School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Not Applicable
Independent study	23	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational centers and programs	6	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	9	No, See Below
Morgan-Hart Class Size Reduction	7	Yes

	Procedures in Audit Guide	Procedures Performed
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Not Applicable
9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Construction Funds:		
School District bonds	3	Yes
State school facilities funds	1	Yes
Excess sick leave	2	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Yes
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not Applicable
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Not Applicable
Option one classes	3	Not Applicable
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program		
General requirements	4	Not Applicable
After school	4	Not Applicable
Before school	5	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

We did not perform testing for Community Day School because the attendance was below materiality threshold required for testing.

Based on our audit, we found that for the items tested, the Grossmont Union High School District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Grossmont Union High School District had not complied with the laws and regulations, except as described in the Schedule of State Award Findings and Questioned Costs included in this report. Our audit does not provide a legal determination on Grossmont Union High School District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the governing board, audit committee, management, the California Department of Education, the State Controller's Office, the California Department of Finance, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2008

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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GROSSMONT UNION HIGH SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2008

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.550, 10.553, 10.555</u>	<u>Child Nutrition Cluster</u>
<u>84.010, 84.010A</u>	<u>Title I Cluster</u>
<u>84.184L</u>	<u>Safe and Drug-Free Schools and Communities</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 434,550</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

GROSSMONT UNION HIGH SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

None reported.

GROSSMONT UNION HIGH SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

None reported.

GROSSMONT UNION HIGH SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance
72000	School Accountability Report Card

California School Age Families Education Program

2008-1 40000

Criteria

Districts receive funding based on the attendance of students enrolled in the program. The District is required to submit an annual report of attendance to the California Department of Education (CDE). The annual report of attendance submitted to CDE should reconcile to supporting documentation used in the local education agency's calculation of each reporting line item. The attendance reported in the report must not exceed a total of one unit of Average Daily Attendance (ADA) generated by each pupil.

Condition

The District's system calculation was claiming attendance for each student transferring between school sites since the beginning enrollment date in the program.

Effect

As a result, the attendance claimed for each student was more than one ADA for the students transferring between school sites. The total excess ADA claimed for those students was 12 ADA.

Cause

As students transfer between school sites, the systems calculation was not combining the total attendance generated by all the school sites instead of calculating separate attendance for each school attended by the student.

Recommendation

The District must submit a revised annual report and deduct the excess of 12 ADA as noted above from the amount claimed.

District Response

Procedures have been implemented to ensure the student's ADA is not overstated when they transfer between schools. The annual report has been revised and submitted to the State.

GROSSMONT UNION HIGH SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

School Accountability Report Card

2008-2 72000

Criteria

The Office of Public School Construction pursuant to the provisions of subdivision (d) of Education Code Section 17002 prepared an interim evaluation instrument to be used by districts when evaluating school facilities. The information contained in the instrument regarding the safety, cleanliness and adequacy of school facilities must agree with the information contained in the School Accountability Report Card for that school.

Condition

During the review of the District's School Accountability Report Card (SARC), we were unable to obtain interim evaluation forms (Facility Evaluation Forms) used to evaluate facility conditions at the individual sites.

Effect

As a result, we were unable to determine if the information listed on the District's website was reasonably stated.

Cause

Upon further discovery, it was noted that the evaluation instruments used in the preparation of the SARC were not maintained by the District.

Recommendation

The District should securely file the appropriate interim evaluation forms used to create the SARC report on the website, specifically the Facility section.

District Response

The District has implemented a time-line and protocol for the completion of the Facility Evaluation Forms. The forms will be completed each year at the beginning of the school year by Facilities Management. The original will be submitted to the Executive Director of Facilities Management and a copy will be sent to Educational Services to be included with the SARC.

GROSSMONT UNION HIGH SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

There were no audit findings reported in the prior year's schedule of financial statement findings.



Governing Board
Grossmont Union High School District
El Cajon, California

In planning and performing our audit of the financial statements of Grossmont Union High School District for the year ended June 30, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 2, 2008, on the financial statements of Grossmont Union High School District.

ASSOCIATED STUDENT BODY

Grossmont High School

Receipting, Disbursements

Observation

During our audit of the ASB's internal controls over disbursements, we noted two of the 12 transactions reviewed had an invoice date prior to the approval date, noting the purchase was made prior to approval.

Recommendation

All expenditures, prior to the items being purchased, should be approved by the student council to ensure that the proper funding is available. This will ensure that deficit spending is not performed, and that items being purchased are student approved items.

Santana High School

Disbursements

Observation

During our audit of the ASB's internal controls over disbursements, we noted that three of the 15 transactions reviewed had an invoice date prior to the approval date, noting the purchase was made prior to approval.

Recommendation

All expenditures, prior to the items being purchased, should be approved by the student council to ensure that the proper funding is available. This will ensure that deficit spending is not performed, and that items being purchased are student approved items.

Revenue Potentials

Observation

Revenue potential forms are not being used to document and control fundraising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendation

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all monies due and so forth.

Santana Adult School

Site Cash

Observations

During our audit of the site cash internal controls over receipting, we noted the following issues:

1. Receipts are not being issued for cash payment received for the sale of practice books and for checks issued.
2. Deposits are not being made timely. This results in large cash balances being maintained at the site severely decreasing the safeguarding of the asset.

Recommendations

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all cash receipts. If utilizing a log, the payer's name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for all purposes. Teachers and Administrators who collect monies should be equipped with a triplicate receipt book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in. A receipt should be issued back to the teacher as proof that the monies were deposited intact.

2. At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit.

West Hills High School

Observations

During our audit of the site student body funds, we noted the following issues:

1. Revenue potential forms are not being used to document and control fundraising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.
2. Current procedures to ensure ticket sales are documented and reconciled to cash collections are not strongly enforced. During testing, both ticket events tested had differences that were not explained in the report.
3. A physical inventory count of PE clothing is not being performed and there is no procedure in place to reconcile sales with inventory. Manual inventory reconciliations for Physical Education clothes are not being performed by the site and compared to the perpetual system maintained.
4. During our review of the tested month's financial statements, it was noted that six trust accounts had a negative balance. They included the following accounts and negative amounts: Boys Golf \$1,292.83, Boys Cross Country \$14.32, Girls Cross Country \$52.99, WP Winter Baseball \$2,619.56, Color Guard \$1,212.52 and Howl Link Crew \$732.53.
5. During review of the purchase/check requisition records, we noted that while most disbursements had the required three signatures of approval, the vast majority of the requisitions were not dated by the signor.
6. During the review of the disbursement records, we noted that three of the 24 transactions did not have receiving documentation.

Recommendations

1. As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all monies due and so forth.
2. A ticket sales recap form serves the purpose of calculating, based on the number of tickets sold out of the roll and the price per ticket, the amount of cash that should have been collected. The recap should be reconciled to the cash deposit forwarded to the bookkeeper. This procedure documents overages and shortages of cash and informs site personnel about potential problems in cash collections. The forms should be filed along with the deposit form and other pertinent documents. The District should strongly enforce the completion of these forms for all ticketed events.

3. In order to prevent the loss or the misappropriation of assets, the site should perform a physical inventory count of the PE clothing. A physical inventory should be taken quarterly under supervision of the advisor. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary to analyze sales activity, profits, and to determine if merchandise has been lost or stolen.
4. Site administration will occasionally override the bookkeeper's control of trust expenditures. The site bookkeeper has a fiduciary responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the bookkeeper cannot meet this responsibility to the other clubs and organizations. Clubs should not be allowed to spend in excess of their available cash. By allowing clubs to do so, they are in effect spending the resources of other clubs. The site bookkeeper and administration should ensure that all clubs have sufficient funds available in their account prior to expenditures or transfers being made.
5. In order to maintain adequate internal controls over disbursements, all requisitions should be signed and dated by the designated parties. We noted the site's current requisition form has a line that includes a signature and date for all approval signatures. Requiring a date input on the requisition form controls the risk that requisitions are being signed in batches to override student council control. All ASB authorized signers should sign and date all approvals prior to disbursement.
6. All expenditures should indicate whether the items purchased have been received. This can be noted with a stamp, signature, packing slip, etc. This reduces the risk of items being paid for but not received.

We will review the status of the current year comments during our next audit engagement.

Vavinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2008